

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-15 L-03 INR-10 ABF-01 EA-11

DRC-01 RSC-01 /079 W

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R 042012Z OCT 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7824

INFO AMEMBASSY BRUSSELS

AMCONSUL DUSSELDORF

AMEMBASSY LONDON

AMEMBASSY TOKYO

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STADIS//////////

E.O. 11652: N/A

TAGS: EIND, ETRD, OTRA, GW

SUBJECT: GAO INQUIRIES INTO STEEL VRA

REF: STATE 196460, STATE 190671, BONN 13528,
TOKYO 12564

1. SUMMARY. A TEAM FROM THE GAO'S FRANKFURT OFFICE, HEADED BY AUDIT MANAGER JOHN E. WATSON VISITED THE EMBASSY ON SEPTEMBER 25 TO DISCUSS THE STEEL VRA. THE TEAM WAS APPARENTLY JUST BEGINNING ITS WORK AND WAS PRIMARILY INTERESTED IN BASIC BACKGROUND. MOST OF THE QUESTIONS COVERED IN TOKYO'S REFTEL WERE RAISED HERE AS WELL, BUT THE TEAM DID NOT PURSUE THEM IN ANY DEPTH. END SUMMARY.

2. WE INFORMED WATSON, IN RESPONSE TO HIS QUESTIONS, THAT THE EMBASSY HAD NO PARTICULAR RESPONSIBILITY FOR MONITORING THE VRA AND COMPILED NO STATISTICS ON PERFORMANCE UNDER THE ARRANGEMENT. EMBASSY COSTS
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RELATED TO THE EXISTENCE OF THE VRA WERE VIRTUALLY

ZERO. WE SAID WE HAD NO WAY OF ESTIMATING THE PRICE EFFECT OF THE VRA IN THE U.S., BUT NOTED THAT FOR MUCH OF THE VRA PERIOD EUROPEAN DELIVERIES HAD BEEN BELOW RESTRAINT LEVELS.

3. WATSON ASKED WHY WE THOUGHT THE GERMAN STEEL PRODUCERS HAD ENTERED INTO A VRA AND WHAT THEIR CURRENT ATTITUDE WAS. WE RESPONDED THAT THE GERMAN PRODUCERS ENTERED INTO THE VRA TO ALLEVIATE THE ECONOMIC AND POLITICAL PRESSURE IN THE U.S. FOR QUOTA LEGISLATION WHICH COULD HAVE IMPAIRED THE CURRENT AND LONG-TERM POSITION OF IMPORTED STEEL IN THE U.S. MARKET. WHILE SOME GERMAN PRODUCERS WOULD NOW ARGUE THAT EXCHANGE RATE CHANGES HAVE REMOVED MUCH OF THE ECONOMIC CASE FOR RESTRAINTS, THE PRODUCERS STILL FOUND THE AGREEMENT IN THEIR INTEREST. RESPONDING TO QUESTIONS ON THE FRG GOVERNMENT'S ATTITUDE, WE NOTED THAT THE GOVERNMENT HAD NOT INJECTED ITSELF INTO THE PRODUCERS DISCUSSIONS NOR ENDORSED THE RESULTS. HAD IT OBJECTED TO THE VRA, HOWEVER, IT OBVIOUSLY COULD HAVE PREVENTED THE PRODUCERS FROM CONCLUDING THE VRA, WHICH IT DID NOT. WATSON INQUIRED WHETHER THE U.S. GOVERNMENT HAD MADE ANY SEPARATE COMMITMENTS TO THE FRG OR THE EUROPEAN PRODUCERS, RELATED TO THE VRA. WE SAID WE KNEW OF NO U.S. UNDERTAKINGS OUTSIDE THE FRAMEWORK OF THE PUBLISHED LETTERS.

4. WE SAID WE WERE UNAWARE OF ANY SPECIFIC EFFECT OF THE VRA ON INCREASING THE DEGREE OF COORDINATION AMONG GERMAN PRODUCERS ON EXPORT PRICING.

5. IN RESPONSE TO WATSON'S REQUEST WE PROVIDED HIM WITH COPIES OF THE JANUARY 8, 1973 DISTRICT COURT RULING IN THE CONSUMERS' UNION CASE AND SEVERAL REPORTS ON THE GERMAN STEEL INDUSTRY. WE REFERRED HIM TO THE DEPARTMENT OF STATE BULLETIN AND WHITE HOUSE PRESS RELEASE OF MAY 6, 1972 FOR COPIES OF THE EUROPEAN PRODUCERS' LETTERS. THE TEAM DID NOT ASK TO REVIEW EMBASSY FILES ON THE VRA.

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6. WATSON AND HIS TEAM WILL BE CONSULTING FURTHER WITH CONSULATE GENERAL DUSSELDORF WHICH WILL REPORT SEPARATELY.
HILLENBRAND

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Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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